Senate Standing Committee on Economics

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Budget Estimates

29 May – 31 May 2012

Question: BET 110

Topic: Write-off Provisions to Mining Sector

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Senator BUSHBY asked:

Senator BUSHBY: I will move on, then. I note that the secretary in his post budget speech to business economists states amongst other things that the implications for company tax in the mining sector growing more rapidly than anticipated and mining investment exceeding expectations. As set out in budget statement 5, these factors will tend to dampen tax receipts as a share of the economy as mining companies claim deductions associated with the depreciation of their capital stock. Of particular importance is the accelerated write-offs provided for many mining assets, which you have touched on. In revenue terms, what is the annual cost of the accelerated write-off provisions provided to the mining sector?

Mr Clark: The value of the write-offs for the mining sector is a label on the company tax return that also includes some other items. It is not separately identified on the tax return, so quantifying that exactly would not be possible.

Senator BUSHBY: Would be impossible?

Mr Clark: Would be impossible.

Senator BUSHBY: So if the government of the day decided to make changes impacting on the write-off, how would you assess the impact on the bottom line?

Mr Heferen: Are you referring just to the accelerated depreciation?

Senator BUSHBY: Yes. The accelerated write-off provisions.

Mr Heferen: We have estimates in our tax expenditure statement of the accelerated depreciation at large and then of the particular bits of capital, plant and equipment that are eligible for accelerated depreciation.

Senator BUSHBY: Do you have a figure there of what the impact is on the revenue of those provisions or that expenditure?

Mr Heferen: Reading from the tax expenditure statement 2011, which is our most recent one, the aggregate tax expenditure is by function. So there is mining, manufacturing and construction and there are various estimates across a range of years. It is in the order of, say, for 2011-12, expenditure of around $2 billion. For 2012-13, it is $2½ billion. I am just pausing over this. I beg your pardon—that will be the aggregate tax expenditure. So within that, an element of that would be accelerated depreciation. I am pretty sure part of that would be other various departures from a tax benchmark to be included.

Senator BUSHBY: This is just for the mining industry or across all sectors?

Mr Heferen: That was mining, manufacturing and construction. In the TES there will be elements for the various elements of accelerated depreciation. From memory, it is in the order of several hundred million dollars a year.

Senator BUSHBY: If you like, Mr Heferen, you can take that on notice.

Mr Heferen: We will take that on notice. Then we can provide the accurate figure and the reference in the TES to which it applies.

Answer:

The 2011 Tax Expenditures Statement (TES) has three tax expenditures relating solely to accelerated depreciation in the mining sector (2011 TES references B88, B89 and B92). These expenditures total $332 million in 2011-12 and $322 million in 2012-13.

Statutory effective life caps also provide accelerated depreciation for a range of assets but are not restricted to the mining sector. This tax expenditure is $1,040 million in 2011-12 and $1,115 million in 2012-13 (2011 TES reference B93). The cost of this tax expenditure for the mining industry only is not available.